

HOUSING AUTHORITY OF THE TOWN OF WINNSBORO
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
TWELVE MONTHS ENDED SEPTEMBER 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/8/05

Mike Estes, P.C.
A Professional Accounting Corporation

HOUSING AUTHORITY OF THE TOWN OF WINNSBORO

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

TWELVE MONTHS ENDED SEPTEMBER 30, 2004

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Independent Auditor's Report

Board of Commissioners
Housing Authority of Winnsboro
Winnsboro, Louisiana

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of Winnsboro, Louisiana as of and for the year ended September 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Winnsboro, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of Winnsboro, Louisiana, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2005, on our consideration of the Housing Authority of Winnsboro, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of Winnsboro, Louisiana's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and other supplementary information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Housing Authority of Winnsboro, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying Financial Data Schedules required by HUD are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mike Estes, P.C.
Fort Worth, Texas
January 28, 2005

HOUSING AUTHORITY OF WINNSBORO, LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
SEPTEMBER 30, 2004

Housing Authority of Winnsboro, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

The management of the Housing Authority of Winnsboro, Louisiana presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending September 30, 2004. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The Housing Authority's assets exceeded its liabilities by \$1,850,710 at the close of the fiscal year ended 2004.
 - ✓ Of this amount, \$457,305 of unrestricted assets may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount equals 53% of the total operating expenses for the fiscal year 2004, which means the Authority could operate about 6 months using the unrestricted assets alone.
 - ✓ The remainder of \$1,393,405 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
- The Housing Authority's total net assets increased by \$345,357, a 23% change from the prior fiscal year 2003. This increase is attributable to substantial investment of funds received from HUD in capital assets and construction, described in more detail below.
- The Authority spent \$418,376 total on capital asset additions, construction in progress for installing a security fence, security monitoring equipment, security lighting, independent gas meters, highline poles, mowers, refrigerators, computer meter reading software, and a sewer video monitor.
- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2004?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis* of accounting, which is similar

Housing Authority of Winnsboro, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

All of the funds of the Housing Authority are reported as proprietary funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant funds, the Low Rent Housing Program and Public Housing Capital Fund Program.

The Housing Authority's auditors provided assurance in their independent auditors' report, located immediately preceding the MD&A, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting the Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

Housing Authority of Winnsboro, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$1,850,710 as of September 30, 2004. Of this amount, \$1,393,405 was invested in capital assets, and the remaining \$457,305 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general Net Assets.

CONDENSED FINANCIAL STATEMENTS

**Condensed Balance Sheet
As of September 30, 2004**

ASSETS

Current Assets	\$ 511,798
Capital Assets, Net of Depreciation	<u>1,393,405</u>
Total Assets	<u>1,905,203</u>

LIABILITIES

Current Liabilities	23,434
Non-Current Liabilities	<u>31,059</u>
Total Liabilities	<u>54,493</u>

NET ASSETS

Invested in Capital Assets	1,393,405
Unrestricted	<u>457,305</u>
Total Net Assets	<u>1,850,710</u>
Total Liabilities and Net Assets	<u>1,905,203</u>

Housing Authority of Winnsboro, Louisiana
Management's Discussion and Analysis (MD&A)
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CONDENSED FINANCIAL STATEMENTS (Continued)

The net assets of these funds increased by \$345,357, or by 23%, from those of fiscal year 2003, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Fiscal Year Ended September 30, 2004**

OPERATING REVENUES	
Rental Revenue	\$ 280,513
Other Revenue	104,395
Total Operating Revenues	<u>384,908</u>
OPERATING EXPENSES	
Administration	155,693
Tenant Services	41,668
Utilities	217,488
Ordinary maintenance and operations	254,495
General and Other	73,410
Depreciation	119,975
Total Operating Expenses	<u>862,729</u>
(Loss) from Operations	<u>(477,821)</u>
NON-OPERATING REVENUES	
Federal Grants - Operating	401,313
Federal Grants - Capital	418,376
Interest Income and Other Revenue	3,489
Total Non-Operating Revenues	<u>823,178</u>
NET INCREASE IN NET ASSETS	<u>345,357</u>
NET ASSETS, Beginning of Year	<u>1,505,353</u>
NET ASSETS, End of Year	<u>1,850,710</u>

The increase in net assets of these funds was accompanied by an increase in unrestricted cash by just \$18,729 from fiscal year 2003, primarily due to expenditure of the net increase on capital assets and contraction, as noted previously.

In future years, a comparative analysis of Authority-wide data with the prior year will be presented. (A comparative analysis for the current year is not required by accounting standards followed by the Authority.)

Housing Authority of Winnsboro, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

Compared with the prior fiscal year, total revenues increased \$402,168, or by 50%. Reasons for this change are listed below in order of impact from greatest to least:

- A \$374,826 increase in funding from HUD for capital projects, plus an increase of \$13,016 in funding from HUD for operations, for an overall net increase of 90% in funding from HUD from fiscal year 2003. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2001 through 2003, and submitted a new grant during fiscal year 2004.
- Rental revenues increased by \$37,241, or by 12%, due to a significant increase in tenants having higher personal income. Thus, tenants received less in subsidies from HUD and paid more of their own personal income for rent.
- Other income decreased by \$22,217, or by 50% from fiscal year 2003, due to discontinuance of a HUD Section 8 maintenance contract with another housing authority after fiscal year 2003.
- Interest income decreased by \$1,497, or by 48% from fiscal year 2003, due to a decrease in investable cash from construction projects during the current year.

Compared with the prior fiscal year, total expenses increased \$33,879, or by 4%. Again, reasons for this change are listed below in order of impact from greatest to least:

- Ordinary maintenance and repairs increased by \$60,075, or by 31% from the prior year, due to a combination of factors. Staff labor and related benefits increased by 2% due to annual raises. Materials usage increased \$15,319 and contract labor increased by \$41,728 as part of the soft costs incurred overall in construction in progress, and also in the repair of broken sewer mains.
- Administrative expense decreased by \$50,181, or by 24% from the prior year, due to administrative fees incurred in construction projects during the prior fiscal year that were no longer incurred in the present year. In addition, there was a reduction during the current year in administrative salaries and related benefits by 5%.
- Depreciation Expense increased by \$17,897, or by 18% from the prior year, due to the addition during 2004 of \$418,376 total in new capital assets and completion of construction in progress.
- General Expense increased by \$7,236, or by 11% from the prior year, due to increases by 5% in premium rates for property and casualty insurance, workmens' compensation insurance, and health insurance. Payments in lieu of taxes increased by 31% because they are assessed as a percentage of rental income minus utilities, and therefore increased with the rental income previously mentioned. Finally, because there was significant turnover in the tenant base, the amount of uncollectible rents from vacated units increased by \$1,175.
- Tenant services decreased by \$1,980, or by 5% from the prior year, due to lack of response from tenants to certain gatherings and events.

These changes led to an increase in total assets by \$325,792 and a decrease in liabilities by \$19,565, to the end that cash increased by \$18,729. However, despite these changes, capital assets excluding depreciation actually increased by \$298,402, and there are still over \$9 of current assets covering each dollar of liability.

BUDGETARY ANALYSIS

Low Rent Program Budgetary Highlights

The final operating budget for the Low Rent Program approved by HUD for fiscal year ended September 30, 2004 showed budgeted revenues exceeding budgeted expenses by \$29,364.

The original revenue budget was \$674,666 for fiscal year 2004. There were several significant variations between the budget and the actual revenues, leading to \$74,197 more income than expected. The factors causing this are listed in order of greatest impact to least:

- Tenant revenues exceeded the budget of \$302,000 by \$60,646 due to unanticipated turnover in the tenant base to those having higher personal incomes, who could pay more rent than usual.
- Interest and other income exceeded the budget of \$12,200 by \$13,551 due to an unanticipated waiver of some prior year's payments in lieu of taxes, which are recorded as other income in the year received.
- Federal grant revenues for operations equaled the budget of \$360,466.

The original proposed expense budget was \$704,030 for the current fiscal year. There were several significant variations within the major categories of expenses. However, the actual expenditures, excluding depreciation, varied by only \$2,122 less than total amounts budgeted. The factors causing this are listed in order of greatest impact to least:

- Utilities exceeded the budget of \$181,350 by \$36,138 due to unanticipated water losses from water mains that were repaired, and increased electricity and gas consumption during construction. It is worth noting, however, that utilities increased by only \$835 from the prior fiscal year, and that the Authority is converting all units to independent metering.
- Ordinary maintenance and repairs fell below the budget of \$237,995 by \$24,347 because most of the increases in maintenance cost mentioned on the previous page were absorbed by the capital improvements budget.
- *Administrative expenses fell below the budget of \$172,940 by \$17,247 because administrative salaries and related benefits were reduced for cost conservation purposes.*
- General expense exceeded the budget of \$66,090 by \$6,499 due to the same reasons mentioned on the previous page for the increase in general expenses.
- Tenant services fell below the budget of \$45,655 by \$3,987 due to lack of response from tenants mentioned on the previous page.

Housing Authority of Winnsboro, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2004, the Housing Authority had \$5,402,077 invested in a broad range of assets and construction in progress from projects funded in 2003, listed below. This amount, not including depreciation, represents increases of \$298,402 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets,
Net of Accumulated Depreciation
As of September 30, 2004**

Land	\$ 300,657
Buildings	686,451
Furniture and Equipment	41,725
Leasehold Improvements	169,824
Construction in Progress	194,748
Total	<u>1,393,405</u>

As of the end of the 2004 fiscal year, the Authority is still in the process of completing HUD grants of \$243,781 obtained during 2001 through 2003 fiscal years. A total remainder of \$53,635 will be received and \$35,739 will be spent for completing these projects during fiscal year 2005.

Debt

Long-term debt includes accrued annual vacation and sick leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for 2005 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Mr. Don Southern, Executive Director, at the Housing Authority of Winnsboro, Louisiana; P.O. Box 267; Winnsboro, LA 71295.

HOUSING AUTHORITY OF WINNSBORO
ENTERPRISE FUNDS - BALANCE SHEET
YEAR ENDED SEPTEMBER 30, 2004

	General	Capital Fund Program	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 213,030	\$ 0	\$ 213,030
Investments	245,811	0	245,811
Accounts receivable net	0	17,896	17,896
Interest receivable	103	0	103
Interfund receivable	17,896	0	17,896
Prepaid items and other assets	20,551	0	20,551
Inventory	1,237	0	1,237
Total Current Assets	498,628	17,896	516,524
Restricted Assets			
Cash	13,170	0	13,170
Capital Assets, net			
Land	300,657	0	300,657
Buildings, and equipment (net)	667,730	425,018	1,092,748
Total Capital Assets, net	968,387	425,018	1,393,405
Total Assets	\$ 1,480,185	\$ 442,914	\$ 1,923,099
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 2,673	\$ 0	\$ 2,673
Deferred revenue	26	0	26
Compensated absences payable	7,565	0	7,565
Interfund payable	0	17,896	17,896
Total Current Liabilities	10,264	17,896	28,160
Current Liabilities - payable from			
Current Restricted Assets -			
Deposits due others	13,170	0	13,170
Noncurrent Liabilities			
Compensated absences payable	31,059	0	31,059
Total Liabilities	54,493	17,896	72,389
NET ASSETS			
Invested in capital assets, net of			
related debt	968,387	425,018	1,393,405
Unrestricted	457,305	0	457,305
Net Assets	1,425,692	425,018	1,850,710
Total Liabilities and Net Assets	\$ 1,480,185	\$ 442,914	\$ 1,923,099

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF WINNSBORO
ENTERPRISE FUNDS – STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED SEPTEMBER 30, 2004

	General	Capital Fund Program	Total
OPERATING REVENUES			
Dwelling rental	\$ 280,513	\$ 0	\$ 280,513
Other	104,395	0	104,395
Total Operating Revenues	<u>384,908</u>	<u>0</u>	<u>384,908</u>
OPERATING EXPENSES			
Administration	155,693	0	155,693
Tenant services	41,668	0	41,668
Utilities	217,488	0	217,488
Ordinary maintenance & operations	213,648	40,847	254,495
General expenses	72,588	0	72,588
Depreciation	89,616	30,359	119,975
Extraordinary maintenance	822	0	822
Total Operating Expenses	<u>791,523</u>	<u>71,206</u>	<u>862,729</u>
Income (loss) from Operations	<u>(406,615)</u>	<u>(71,206)</u>	<u>(477,821)</u>
Non Operating Revenues (Expenses)			
Interest earnings	3,489	0	3,489
Federal grants	360,466	459,223	819,689
Total Non-Operating Revenues (Expenses)	<u>363,955</u>	<u>459,223</u>	<u>823,178</u>
Income (loss) before contribution	<u>(42,660)</u>	<u>388,017</u>	<u>345,357</u>
Capital Contribution			
Transfers in	231,365	0	231,365
Transfers out	0	231,365	231,365
Change in net assets	<u>188,705</u>	<u>156,652</u>	<u>345,357</u>
Total net assets - beginning	<u>1,236,987</u>	<u>268,366</u>	<u>1,505,353</u>
Total net assets - ending	<u>\$ 1,425,692</u>	<u>\$ 425,018</u>	<u>\$ 1,850,710</u>

HOUSING AUTHORITY OF WINNSBORO
ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2004

	General	Capital Fund Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	\$ 280,657	\$ 0	\$ 280,657
Other receipts	84,924	17,896	102,820
Payments to vendors	(388,620)	(40,847)	(429,467)
Payments to employees – net	(319,520)	0	(319,520)
Net cash provided (used) by operating activities	(342,559)	(22,951)	(365,510)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Federal grants	360,466	22,951	383,417
Net cash provided (used) by non- capital financing activities	360,466	22,951	383,417
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	0	(418,376)	(418,376)
Federal Capital Grants	0	418,376	418,376
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	3,560	0	3,560
Purchase of investments	110,622	0	110,622
Net cash provided (used) by interest income net of purchases of investment	114,182	0	114,182
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	132,089	0	132,089
CASH AND CASH EQUIVALENTS			
Beginning of Fiscal Year	94,106	0	94,106
CASH AND CASH EQUIVALENTS			
End of Fiscal Year	\$ 226,195	\$ 0	\$ 226,195

Continued

HOUSING AUTHORITY OF RAYVILLE
ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2004

	<u>General</u>	<u>Capital Fund Program</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (406,615)	\$ (71,206)	\$ (477,821)
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation Expense	89,616	30,359	119,975
Waived PILOT	12,034		12,034
Change in assets and liabilities:			
Receivables	144	0	144
Due from other funds	(17,896)	0	(17,896)
Inventories	6,824	0	6,824
Prepaid items	4,933	0	4,933
Account payables	(31,066)	0	(31,066)
Accrued expenses	1,257	0	1,257
Deferred revenue	(1,790)	0	(1,790)
Due to other funds	0	17,896	17,896
Net cash provided by operations	\$ <u>(342,559)</u>	\$ <u>(22,951)</u>	\$ <u>(365,510)</u>
		Concluded	

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF WINNSBORO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

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HOUSING AUTHORITY OF WINNSBORO
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY Housing Authorities are chartered as public corporations under the laws (LSA – R.S. 40.391) of the Louisiana of Louisiana for the purpose of providing safe and sanitary dwellings accommodations. This creation was contingent upon the local governing body of the parish declaring a need for the Housing Authority to function in such parish. The Housing Authority is governed by a five member Board of Commissioners. The members, appointed by the Honorable Mayor of Winnsboro, serve staggered multi-year terms.

The Housing Authority has the following units:

PHA Owned Housing	FW 1349	150
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GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other Louisiana or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt with HUD approval.

The Housing Authority is a related organization of the Town of Winnsboro since the Town of Winnsboro appoints a voting majority of Housing Authority's governing board. The Town of Winnsboro is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the Town of Winnsboro. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the Town of Winnsboro.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

HOUSING AUTHORITY OF WINNSBORO
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

- 1) Appointing a voting majority of an organization's governing body, and:
 - a) The ability of the government to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.
- 2) Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government.
- 3) Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

B. FUNDS The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. The general fund accounts for the transactions of the public housing Low Rent program. The Capital Funding program accounts for Capital Funding grants.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

New Accounting Standards Adopted During the year ended September 30, 2004, the Authority adopted three new statements of financial accounting standards issued by the Government Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Ominous, an amendment of GASB Statements No. 21 and 34*.
- Statement No. 38, *Certain Financial Statement Note Disclosures*.

HOUSING AUTHORITY OF WINNSBORO
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

Statement No. 34 (as amended by Statement No.37) represents a very significant change in the financial reporting model used by Louisiana and local governments including special purpose governments such as the Housing Authority of Winnsboro. This new reporting model requires management to provide a narrative and analysis to the ordinary user called the Management's Discussion and Analysis (MD&A). This new reporting model also requires the financial statements to be presented on the entity as a whole (government-wide financial statements). The most significant changes to the financial statements are the format, classification of information and the classification of fund equity into various classes of net assets.

PROPRIETARY FUNDS Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 13, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the Housing Authority's funds are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. CASH AND CASH EQUIVALENTS Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and cash with fiscal agent. Under Louisiana law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with Louisiana banks organized under Louisiana law and national banks having their principal offices in Louisiana.

E. INVESTMENTS Investments are limited to L.S.-R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

HOUSING AUTHORITY OF WINNSBORO
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

F. SHORT – TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

G. INVENTORY All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

H. PREPAID ITEMS Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. CAPITAL ASSETS Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold is \$1,400. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful live is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	15-40 years
Building improvements	15 years
Furniture and equipment	5-7 years
Computers	3 years

General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads, bridges, sidewalks, and other infrastructure assets acquired subsequent to July 1, 2003.

HOUSING AUTHORITY OF WINNSBORO
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

J. DEFERRED REVENUES The Housing Authority reports deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

K. COMPENSATED ABSENCES The Housing Authority follows policies it has adopted which are consistent with the Louisiana State Constitution and Rules and Regulations of the Civil Service Commission of the State of Louisiana. Civil Service requires that employees are eligible to be paid up to 300 hours of annual leave time upon separation. Additional hours pay is predicated on the Authority's operating reserve, determined by formula.

Sick leave hours accumulate, but the employee is not paid for these hours if they are not used by his/her retirement or termination date.

L. RESTRICTED NET ASSETS Net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. INTERFUND ACTIVITY Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses.

All other interfund transfers are reported as operating transfers. Reimbursements are when one fund incurs cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

N. USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

HOUSING AUTHORITY OF WINNSBORO
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 2 – DEPOSITS AND INVESTMENTS Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name
- Category 3 - Uninsured and unregistered investments held by the counter-party, its trust department, or its agent, but not in the Authority's name

At September 30, 2004 the Housing Authority has Cash equivalents, and investments totaling \$472,011 as follows:

Interest-bearing demand deposits	\$	112,834
Time deposits		359,177
Total	\$	<u>472,011</u>
Cash and cash equivalents	\$	213,030
Cash and cash equivalents – restricted		13,170
Investments		245,811
Total	\$	<u>472,011</u>

Deposits are stated at cost, which approximates fair value.

Under Louisiana law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2004, the Housing Authority's carrying amount of deposits was \$472,011 and the bank balance was \$489,141. Of the bank balance, \$100,000 was covered by federal depository insurance (GASB Category 1). The remaining \$389,141 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Housing Authority's name (GASB Category 3).

HOUSING AUTHORITY OF WINNSBORO
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement #3, Louisiana Revised Statute 39.1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Housing Authority that the fiscal agent has failed to pay deposited funds upon demand.

Investments during the year were solely in time deposits at banks.

NOTE 3 – ACCOUNTS RECEIVABLE The receivables at September 30, 2004, are as follows:

<u>Class of Receivables</u>	<u>Capital Fund Program</u>	<u>Total</u>
Federal sources:		
Grants	\$ 17,896	\$ 17,896
Total	\$ 17,896	\$ 17,896

The tenants account receivable is net of an allowance for doubtful accounts of \$zero.

NOTE 4 – CAPITAL ASSETS The changes in capital assets are as follows:

	<u>Balance 09/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 09/30/04</u>
Land	\$ 300,657	\$ 0	\$ 0	\$ 300,657
Buildings	4,452,218	219,210	0	4,671,428
Furniture and equipment	230,826	4,418	0	235,244
Construction in progress	0	194,748	0	194,748
Total	4,983,701	418,376	0	5,402,077
Less: accumulated depreciation				
Buildings	3,725,785	89,368	0	3,815,153
Furniture and equipment	162,913	30,606	0	193,519
Total	3,888,698	119,974	0	4,008,672
Fixed assets, net	\$ 1,095,003	\$ 298,402	\$ 0	\$ 1,393,405

HOUSING AUTHORITY OF WINNSBORO
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 5 – RETIREMENT SYSTEM The Housing Authority participates in the defined contribution plan. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All regular and full-time employees are eligible to participate in the plan on the first day of the month after completing one month of continuous and uninterrupted employment. Plan provisions and changes to plan contributions are determined by the Board of the Housing Authority.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Each participant in the plan is required to make monthly contributions equal to 1.5% percent of his effective compensation. The participants' portion was frozen when the PHA began participating in social security. The employer is required to make monthly contributions equal to 4% of each participant's effective compensation.

The Housing Authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. Housing Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority. Normal retirement date shall be the first day of the month following the employee's 65th birthday or after 10 years of participation in the plan.

The Housing Authority's contributions were calculated using the base salary amount of \$162,775. The Housing Authority made the required contributions of \$8,545 for the year ended September 30, 2004, of which \$6,491 was paid by the Housing Authority and \$2,054 was paid by employees. No payments were made out of the forfeiture account.

NOTE 6 – ACCOUNTS PAYABLE The payables at September 30, 2004 are as follows:

	General		Total
Vendors	\$ 2,673	\$	2,673
Total	\$ 2,673	\$	2,673

HOUSING AUTHORITY OF WINNSBORO
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Litigation The Housing Authority is not presently involved in litigation.

Grant Disallowances The Housing Authority participates in a number of Louisiana and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Housing Authority management believes that the amount of disallowance, if any, which may arise from future audits will not be material.

Construction Projects There are certain renovation or construction projects in progress at September 30, 2004. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

Risk Management The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Housing Authority carries commercial insurance.

NOTE 8 – INTERFUND RECEIVABLES / PAYABLES Interfund receivables / payables at September 30, 2004 are as follows:

The Capital Fund owes \$17,896 to the Low Rent Fund at September 30, 2004.

NOTE 9 – COMPENSATED ABSENCES At September 30, 2004, employees of the Housing Authority have accumulated and vested \$38,624 of employee leave computed in accordance with GASB, Codification Section C60.

NOTE 10 – GENERAL LONG – TERM OBLIGATIONS The following is a summary of the long – term obligation transactions for the year ended September 30, 2004.

	Compensated Absences
Balance, beginning	\$ 39,913
Additions	5,911
Deductions	7,200
Balance, ending	<u>38,624</u>
Amounts due in one year	\$ <u>7,565</u>

HOUSING AUTHORITY OF WINNSBORO
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 11 – INTERFUND TRANSFERS Interfund transfers for the year September 30, 2004 consists of the following:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Low Rent	Capital Fund	\$231,365

The hard costs of the completed 2001 Capital Fund Program were transferred to the Low Rent Program.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF WINNSBORO
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
ANNUAL CONTRIBUTION CONTRACT

YEAR ENDED SEPTEMBER 30, 2004

1. The Actual Modernization Costs are as follows:

		2002 Capital Fund
Funds approved	\$	305,178
Funds expended		305,178
Excess of funds approved	\$	<u>0</u>
 Funds advanced	 \$	 style="text-align: right;">305,178
Funds expended		305,178
Excess of funds advanced	\$	<u>0</u>

2. The distribution of costs by project as shown on the Final Statement of Modernization Costs dated September 10, 2004 accompanying the Actual Modernization Costs Certificates submitted to HUD for approval are in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF WINNSBORO
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

YEAR ENDED SEPTEMBER 30, 2004

CASH BASIS

		2003 Capital Fund
Funds approved	\$	243,781
Funds expended		<u>208,042</u>
Excess of funds approved	\$	<u>35,739</u>
 Funds advanced	 \$	 190,146
Funds expended		<u>208,042</u>
Excess of funds advanced	\$	<u>(17,896)</u>

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MIKE ESTES, CPA

**Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133**

Housing Authority of Winnsboro
Winnsboro, Louisiana

We have audited the compliance of the Housing Authority of Winnsboro, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The Housing Authority of Winnsboro, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of Winnsboro, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of Winnsboro, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of Winnsboro, Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of Winnsboro, Louisiana's compliance with those requirements.

In our opinion, the Housing Authority of Winnsboro, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of The Housing Authority of Winnsboro, Louisiana is responsible for establishing and maintaining internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of Winnsboro, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Estes, P.C.
Fort Worth, Texas
January 28, 2005

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MIKE ESTES, CPA

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Governmental Auditing Standards***

Housing Authority of Winnsboro
Winnsboro, Louisiana

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of Winnsboro, Louisiana as of and for the year ended September 30, 2004, which collectively comprise the Housing Authority of Winnsboro, Louisiana's, basic financial statements and have issued our report thereon dated January 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Winnsboro, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of Winnsboro's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Estes, P. C.
Fort Worth, Texas
January 28, 2005

HOUSING AUTHORITY OF WINNSBORO
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2004

FEDERAL GRANTOR PROGRAM TITLE	CDFA NO.	PROGRAM EXPENDITURES
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	<u>360,466</u>
Public Housing Capital Fund	14.872	<u>459,223</u>
Total United States Department of Housing and Urban Development	\$	<u>819,689</u>
Total Expenditures of Federal Awards	\$	<u>819,689</u>

HOUSING AUTHORITY OF WINNSBORO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2004

NOTE 1 – GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of Winnsboro, Louisiana (the “Housing Authority”). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority’s general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority’s general-purpose financial statements.

NOTE 3 - RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority’s general-purpose financial statements as follows:

	<u>Federal Sources</u>
Enterprise funds:	
Public Housing	\$ 360,466
Capital Fund	459,223
Total	<u>\$ 819,689</u>

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

NOTE 5 – MAJOR FEDERAL AWARDS PROGRAMS The dollar threshold of \$300,000 was used to distinguish between Type A and Type B federal programs. For those funds that have matching revenues and Louisiana funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice PIH 98-14, “federal awards” do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act “federal awards expended” threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be “expended” during the fiscal year.

HOUSING AUTHORITY OF WINNSBORO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2004

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There were no reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards to the financial statements.

Audit of Federal Awards

- iv. There were no reportable conditions required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed no audit findings which the auditor is required to report under OMB Circular No. A-133, Section .510(a).
- vii. *The major federal programs are:*
 - CFDA# 14.850 Public and Indian Housing – Low Rent Program
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was 300,000.
- ix. The auditee qualifies as a low-risk auditee under OMB Circular No. A-133, Section .530.

HOUSING AUTHORITY OF WINNSBORO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2004

Prior Audit Findings and Questioned Costs

The prior audit report contained one audit finding, as follows:

Finding 03-01 – Tenant Files

We noted instances where tenant income was not always verified directly with third parties, and we recommended this be done. In addition, we recommended that supervisory checks be better documented.

In the current year, we noted no exceptions regarding third party verification. In addition, the PHA is documenting its quality control checks. This finding is cleared.

Current Audit Findings

None

**HOUSING AUTHORITY OF WINNSBORO
FINANCIAL DATE SCHEDULE**

YEAR ENDED SEPTEMBER 30, 2004

PHA: LA109 FYED: 09/30/2004

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$213,024	\$0	\$213,024
114	Cash - Tenant Security Deposits	\$13,170	\$0	\$13,170
100	Total Cash	\$226,194	\$0	\$226,194
122	Accounts Receivable - HUD Other Projects	\$0	\$17,896	\$17,896
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
129	Accrued Interest Receivable	\$103	\$0	\$103
120	Total Receivables, net of allowances for doubtful accounts	\$103	\$17,896	\$17,999
131	Investments - Unrestricted	\$245,817	\$0	\$245,817
142	Prepaid Expenses and Other Assets	\$20,551	\$0	\$20,551
143	Inventories	\$1,237	\$0	\$1,237
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0
144	Interprogram Due From	\$17,896	\$0	\$17,896
150	Total Current Assets	\$511,798	\$17,896	\$529,694
161	Land	\$300,657	\$0	\$300,657
162	Buildings	\$4,189,623	\$280,701	\$4,450,324
163	Furniture, Equipment & Machinery - Dwellings	\$60,497	\$0	\$60,497
164	Furniture, Equipment & Machinery - Administration	\$174,747	\$0	\$174,747
165	Leasehold Improvements	\$214,627	\$8,477	\$223,104
166	Accumulated Depreciation	\$-3,971,764	\$-38,908	\$-4,010,672
167	Construction In Progress	\$0	\$194,748	\$194,748
160	Total Fixed Assets, Net of Accumulated Depreciation	\$968,387	\$425,018	\$1,393,405
180	Total Non-Current Assets	\$968,387	\$425,018	\$1,393,405
190	Total Assets	\$1,480,185	\$442,914	\$1,923,099

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Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
321	Accrued Wage/Payroll Taxes Payable	\$2,673	\$0	\$2,673
322	Accrued Compensated Absences - Current Portion	\$7,565	\$0	\$7,565
341	Tenant Security Deposits	\$13,170	\$0	\$13,170
342	Deferred Revenues	\$26	\$0	\$26
347	Interprogram Due To	\$0	\$17,896	\$17,896
310	Total Current Liabilities	\$23,434	\$17,896	\$41,330
354	Accrued Compensated Absences - Non Current	\$31,059	\$0	\$31,059
350	Total Noncurrent Liabilities	\$31,059	\$0	\$31,059
300	Total Liabilities	\$54,493	\$17,896	\$72,389
508	Total Contributed Capital	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$968,387	\$425,018	\$1,393,405
511	Total Reserved Fund Balance	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$457,305	\$0	\$457,305
513	Total Equity/Net Assets	\$1,425,692	\$425,018	\$1,850,710
600	Total Liabilities and Equity/Net Assets	\$1,480,185	\$442,914	\$1,923,099

**HOUSING AUTHORITY OF WINNSBORO
FINANCIAL DATE SCHEDULE**

YEAR ENDED SEPTEMBER 30, 2004

PHA: LA109 FYED: 09/30/2004

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$280,513	\$0	\$280,513
704	Tenant Revenue - Other	\$82,133	\$0	\$82,133
705	Total Tenant Revenue	\$362,646	\$0	\$362,646
706	HUD PHA Operating Grants	\$360,466	\$40,847	\$401,313
706.1	Capital Grants	\$0	\$418,376	\$418,376
711	Investment Income - Unrestricted	\$3,489	\$0	\$3,489
715	Other Revenue	\$22,262	\$0	\$22,262
700	Total Revenue	\$748,863	\$459,223	\$1,208,086

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Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$101,219	\$0	\$101,219
912	Auditing Fees	\$6,330	\$0	\$6,330
915	Employee Benefit Contributions - Administrative	\$27,055	\$0	\$27,055
916	Other Operating - Administrative	\$21,089	\$0	\$21,089
921	Tenant Services - Salaries	\$28,756	\$0	\$28,756
923	Employee Benefit Contributions - Tenant Services	\$7,589	\$0	\$7,589
924	Tenant Services - Other	\$5,323	\$0	\$5,323
931	Water	\$39,697	\$0	\$39,697
932	Electricity	\$88,322	\$0	\$88,322
933	Gas	\$57,606	\$0	\$57,606
938	Other Utilities Expense	\$31,863	\$0	\$31,863
941	Ordinary Maintenance and Operations - Labor	\$123,550	\$0	\$123,550
942	Ordinary Maintenance and Operations - Materials and Other	\$37,939	\$0	\$37,939
943	Ordinary Maintenance and Operations - Contract Costs	\$19,551	\$40,847	\$60,398
945	Employee Benefit Contributions - Ordinary Maintenance	\$32,608	\$0	\$32,608
961	Insurance Premiums	\$56,440	\$0	\$56,440
963	Payments in Lieu of Taxes	\$14,004	\$0	\$14,004
964	Bad Debt - Tenant Rents	\$2,144	\$0	\$2,144
969	Total Operating Expenses	\$701,085	\$40,847	\$741,932
970	Excess Operating Revenue over Operating Expenses	\$47,778	\$418,376	\$466,154
972	Casualty Losses - Non-Capitalized	\$822	\$0	\$822
974	Depreciation Expense	\$89,616	\$30,359	\$119,975
900	Total Expenses	\$791,523	\$71,206	\$862,729
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$42,660	\$388,017	\$345,357

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Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0
1103	Beginning Equity	\$1,236,987	\$268,366	\$1,505,353
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$231,365	\$-231,365	\$0
1120	Unit Months Available	1,800	0	1,800
1121	Number of Unit Months Leased	1,800	0	1,800